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THE CEO'S GUIDE TO

NETWORKING WITH DEAL PROFESSIONALS

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Become an expert networker.

As a CEO or business owner, meeting with deal professionals can be intimidating.

It takes courage to subject your company to the scrutiny of individuals who evaluate deals for a living. Preparation is key to success.

Conferences and industry events through Axial, ACG, AM&AA, or industry-specific organizations are one valuable way to meet investment bankers, private equity investors, banks and lenders, valuation experts, family offices, or service providers like accountants or lawyers.

Read on for networking tips and advice on identifying the best partners to meet your goals..

7 Initial Questions Investment Bankers Will Ask You

Here are seven questions to expect from an investment banker during an initial conversation.

1. "What does your company do, and how are you differentiated from your peers?"

A banker will ask you to explain your current position in the marketplace and your plans to grow the business. "Understanding a company's positioning in the competitive landscape is critical to assessing the viability of a potential deal," says Jonathan Cunningham of **Aequitas Advisors**. Be prepared to talk about how you distribute your products or services, how your management team is organized, how you generate revenue, and any unique strengths of your company or business model.

2. "Why are you interested in selling your business or raising capital?"

Before the call, think through and distill what you're hoping to get out of a transaction — whether now or in the future. Is your interest based on the current market, a personal situation, growth opportunities in the industry, or a combination of factors?

"This is a critical question in that it reveals motivations, expectations, potential anticipated changes in the business (positive or negative), personal goals and objectives, and more," says Dexter Braff of **The Braff Group**. "These are variables that are important to know to begin to assess the viability of a potential transaction."

This question also helps the investment banker determine "whether or not the timing is optimal to maximize price. To do so, we focus on the growth trajectory of the company and personal goals and objectives that might influence timing, and marry these with the current and anticipated M&A climate for the business. Not only does this approach provide us with great information regarding the firm and its prospects, it gives us an early opportunity to provide consultative value," says Braff.

3. “Do you have a valuation or capital amount in mind?”

It’s OK if you don’t — but if you do have a specific amount in mind, bankers will want to understand how you came to that number. “We ask this question because, more often than not, the business owner is unsure of the amounts needed to facilitate growth and of typical valuations in their industry,” says Kevin Owen of **Madison Street Capital**.

Many CEOs base their initial ideas around valuation on figures they’ve heard casually thrown around at cocktail parties or industry events, but numbers can vary widely even within a specific sector.

4. “Besides an attractive valuation, what would a dream deal look like in your mind?”

Some CEOs want to stay on with the business; others may want to leave but have their management team stay on. Are you willing to sell your company to someone who may overhaul your entire business model or start with layoffs, or is employee security your top priority?

Whatever your answer, “this question reveals other tangible and intangible items that are important to the seller, which not only helps to further qualify the prospect, but gives the banker further insight regarding how the prospect thinks,” says Braff.

5. “What are your revenues and adjusted EBITDA?”

Bankers will always ask this question. “The investment banker needs to begin to qualify the deal to determine if it matches their requirements and resources,” says Braff. If you’re concerned about confidentiality, ask the banker to sign an NDA before getting into details.

6. “How are you generating revenue?”

In particular for smaller or earlier-stage companies, “we want to know who your customers are, how many customers you have, and how strong your customer relationships are,″ says Peter Formanek, Founder and Managing Partner at **Young America Capital**. ″We try to evaluate the sustainability of the company and their ability to generate enough revenue to stay in business and grow.”

For companies above $10 million in revenue, says Formanek, "we don't drill down on revenue quite as much as with a smaller company, but we still want to understand how concentrated their revenues are. Some companies of this size might still have one customer with 40 percent of their revenue, and that's something that's important for us to know."

7. "What's the background of your top executives?"

This is important whether you're raising capital or looking to sell. "We want to be able to give potential investors comfort that the senior management team would be a good shepherd of capital," says Formanek. In a sale, investment bankers will also ask which members of the management team — including you as owner/CEO — would like to stay on after the deal, for how long.

4 Tips for Networking with Investors and Buyers

Talking with an investor or buyer isn't the same as talking with an investment banker. Here are four tips for a successful conversation.

1. Confidence is key.

"When speaking directly to investors, exude confidence and communicate your strong conviction of the success factors that are driving your business," says **Young America Capital**'s Formanek.

2. Articulate your goals.

Capital providers and potential buyers "really want to understand the economic opportunity," says Formanek. They will ask different sets of questions depending on whether your objective is to sell or raise capital. "That said, if you're contemplating both, articulate that too. It all comes back to your clarity of messaging."

3. Don't discuss price.

"We want our clients to remain 'pristine' throughout the process," says **The Braff Group**'s Braff. "Don't provide buyers with any reports or exhibits" that your investment banker hasn't reviewed (if you have already engaged a banker).

4. Be yourself.

"Regardless of what is exchanged during the meeting, what the buyer or management team is really focused on is, 'Do I trust this person? Do they have vision?' It's the soft stuff that turns a good deal into a great one," says Braff.

How Speaking to a Lender Is Different Than Speaking to an Investor

"When business owners go out to meet a lender, they often go in with the same mindset as a meeting with investors," writes Ami Kassar, founder and CEO of **MultiFunding**. "But lenders have very different priorities and look for different criteria in an applicant."

Here are four tips for speaking with lenders.

Save the excitement for your investors.

1. Lenders are primarily concerned with managing risk.

"Lenders are less concerned about your vision for the company... Instead, they just want to see that your company will be able to safely handle paying back the loan."

2. They want to see concrete information.

While not all of this will come up in a first conversation, lenders will be interested in information like your credit score, current incoming cash flow, and financial assets.

3. Stay away from vague promises.

"Lenders are less interested than investors in the future prospects of your company," says Kassar. He suggests grounding your conversation "as much as possible in facts about the business."

4. Boring is OK.

"Save the excitement for your investors," says Kassar. "You aren't trying to get a lender excited. All you're trying to do is show them that you aren't a risk and that they don't have to worry about giving you a loan."

4 Questions to Ask Deal Professionals

Networking isn't just about answering questions — you should come ready to ask questions of your own to potential lenders, investors, investment bankers, or buyers.

1. "What recent experience do you have in my industry?"

Remember that no matter whether you're seeking an advisor, lender, investor, or buyer, the process should be a two-way street. Your evaluation of deal professionals is just as important as their evaluation of you.

For investment bankers and investors, for example, look for domain expertise, relevant expertise in your industry niche, and a cultural fit. "Compatibility is crucial. A deal is a long journey. If you aren't able to work cohesively as a team, it can be a frustrating experience," says Formanek.

2. "What valuation ranges are you seeing for businesses like mine?"

This is a question it's hard for most CEOs *not* to ask, and it's OK to bring it up. But remember: the only valuation that really matters is what buyers put on the table, and what you're willing to accept. All the analysis and research in the world won't bridge that gap. "The banker's opinion of value means virtually nothing at the early stages of discussion, but you're likely to gravitate to the banker that puts out the highest number, even if that number is simply a marketing ploy to get the assignment," says Braff.

While putting too much emphasis on valuation ranges too early in the process is a mistake, asking about valuation ranges in your space will reveal the deal professional's familiarity with market and industry trends.

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3. "What expertise do you and your team members have?"

This is a question that you'll likely hear from most of the deal professionals you speak with — and you should fire it right back at them. Past professional and personal experiences of bankers, investors, and potential buyers will help you better understand their expertise, interests, and values.

4. "What do you do differently from your competitors?"

The answer to this question gives you "immediate insight that may weigh heavily when making a decision," says Braff.

Tips for a Successful Conference

If you approach conference networking in the right manner, you'll more than recoup your investment of time and money. Here are six tips to make the most of your conversations with deal professionals.

1. Be straightforward.

"Be straightforward, honest, and highly communicative about what your current situation is and what you want to achieve in the financing transaction," says Young America Capital's Formanek. "When CEOs are not clear, it leads to a fuzzy line of communication between the CEO and the investor or investment banker right off the bat."

2. Bring a summary...

A 1-2 page executive summary can provide a potential lender, investor, buyer, or intermediary with high level data points to refer to, and some deal professionals might ask for it in the course of your conversations, says Formanek.

3. ...but keep it simple.

Says Braff, pulling out detailed financial statements in the middle of a conversation can be "a real show-stopper in terms of really getting to know a prospect and their expectations and goals... once the financials come out, exchange of information ceases, and the discussion immediately goes to numbers. We often do best with just revenues, EBITDA, and a willingness to candidly provide real insight into where the company is today, where it's headed, and what an ideal transaction might look like."

4. Follow up.

"Even if it's a tactful 'Nice to meet you, but I don't think this is the right fit,' people will be impressed with good follow-through," says Formanek. On the other hand, "not following up will give them a negative impression."